NORTHWEST TERRITORIES
2000-2001 BUDGET
HIGHLIGHTS

Fiscal Overview

- The Government of the Northwest Territories (GNWT) expects that its share of the closing March 31, 1999, pre-division surplus will be $21 million.
- The $34 million budgetary deficit anticipated for 1999-2000 will eliminate this positive starting balance and place the GNWT in a small accumulated deficit position as of March 31, 2000.
- Beginning in fiscal 2000-2001, the GNWT is making a significant change in its budgeting and accounting policies. It will now report the value and accumulated depreciation of its capital assets, such as schools, hospitals and highways. Previously, the value of these assets was not reported in the GNWT's books. This change responds to calls by the accounting profession for governments across Canada to amend their accounting practices.
- The 2000-2001 Budget anticipates operating expenditures of $763.6 million. Total revenues are estimated to be $751.3 million, representing an expected operating deficit of $12.3 million. When this operating deficit, and the undepreciated value of the GNWT's investment in capital assets, which is $845.5 million, are taken into account, the GNWT expects an accumulated surplus of $843 million for March 31, 2001.
- The GNWT continues to face deficits because revenue growth is not keeping pace with the growth in demands on the government's programs and services. The Budget avoids cuts to programs or to the public service. However, in order to identify possible areas for savings the GNWT has committed to conducting both a broad review of programs as well as specific reviews in areas such as government purchasing, subsidies and energy use.

Improving Social Wellbeing

- Ongoing investments in key social programs such as education, health care, social services and housing are essential to addressing the NWT's serious social challenges. Recognizing that cuts to these programs will likely result in higher future costs, the Budget contains measures to maintain service levels in the face of rising demand:
  - $5 million to respond to the growing needs of the NWT population for health care;
  - $3 million to respond to the projected growth in school enrolment and income assistance demands.
- In addition, strategic initiatives have been made in a number of key areas:
  - $1.6 million to decrease the pupil-teacher ratio in NWT schools;

- An additional $210,000 for the Healthy Children Initiative, the aim of which is to give children as healthy as possible a start in life; and
- $4.8 million, financed by additional Canada Health & Social Transfers, to be allocated by the Department of Health & Social Services for the implementation of primary health care models.

Better Governance Through Partnerships

- The GNWT has committed to fund one-third of the costs of the Intergovernmental Forum. The Intergovernmental Forum brings together territorial, federal and Aboriginal governments to discuss issues that are territorial in scope, and will provide a process for ongoing discussions on key issues such as devolution and resource revenue sharing.

A Vibrant Northern Economy

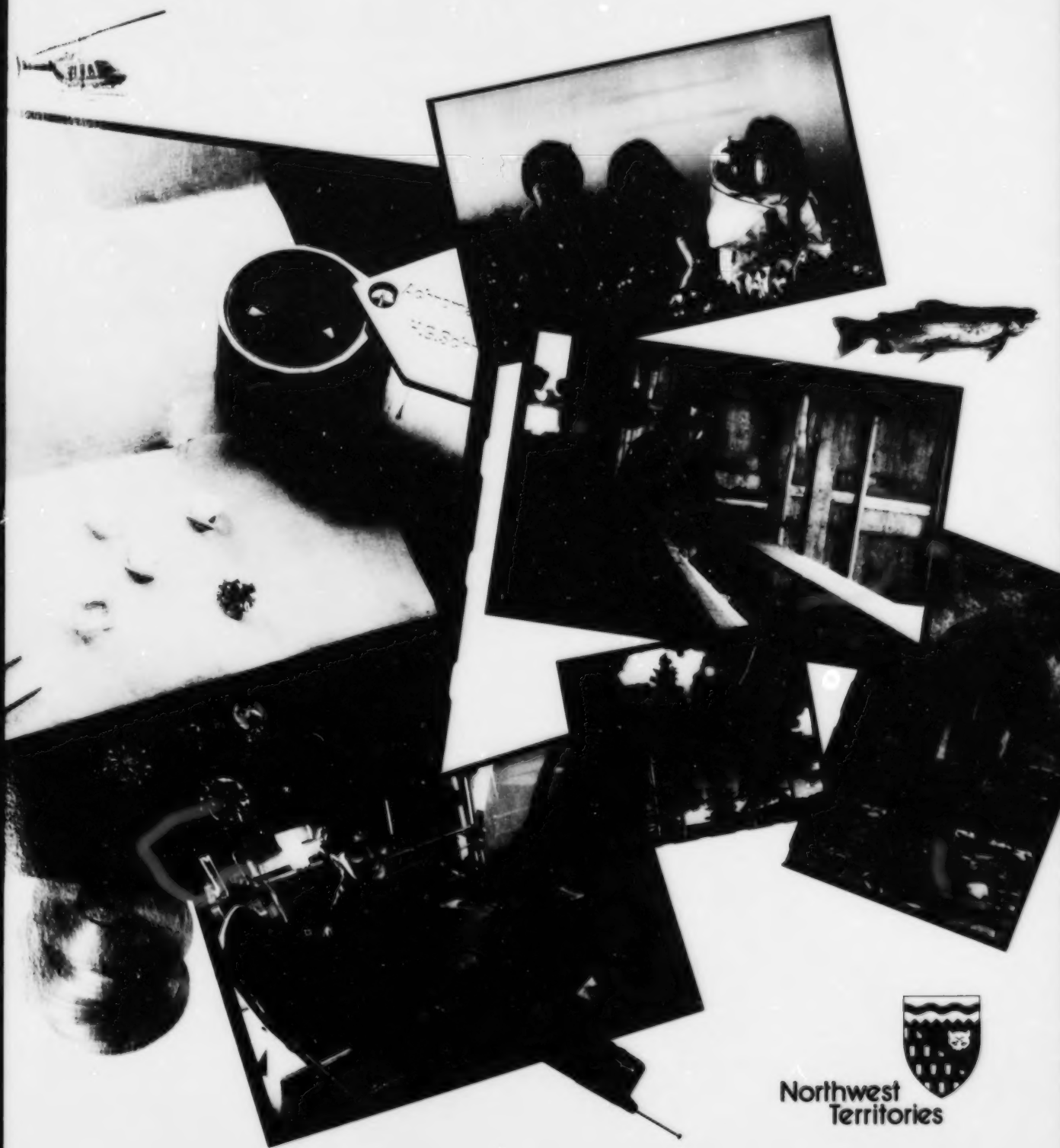
- The Budget includes a number of initiatives to respond to ongoing and future development of the Northwest Territories' resources:
  - $700,000 to help communities prepare for oil and gas development, including economic development, employment and business planning, environmental and socio-economic monitoring, and investigation of opportunities for value-added industries;
  - Almost $10 million to keep pace with the heavier industrial traffic on the NWT's highway system;
  - $1.3 million to promote employment in the oil and gas industries; and
  - $1 million to target youth employment.
- In order to provide resources to invest in the tourism sector, the Budget proposes the adoption, effective April 1, 2001, of a 5 per cent tax on hotel occupancy. The tax is expected to generate about $1 million in annual revenues.

Becoming More Self-Reliant

- Growing demands on social programs and the pressures created by resource development will place great strains on the GNWT's fiscal capacity.
- New resource development in the NWT has the potential to provide as much as $90 billion in royalties and tax revenues for government over the life of the developments. Under current fiscal arrangements, most of these revenues will flow to the federal government.
- Funds from resource development have the potential to help finance needed investments in infrastructure and growing costs in the social area.
- Devolution of both control over development and the revenue from natural resources to northern governments could turn the NWT into a "have" territory over the course of the next ten years.

Budget Address

Northwest Territories • 2000-2001



Northwest Territories

100-05956/

Budget Address

The Honourable Joseph L. Handley
Minister of Finance

Third Session of the Fourteenth
Legislative Assembly
Of the Northwest Territories

June 20, 2000

Government of the
Northwest Territories

Mr. Speaker, it is with considerable optimism that I present the first Budget of the 14th Legislative Assembly, and my first as Minister of Finance. I am optimistic because these are exciting times for the people of the Northwest Territories. We are on the brink of substantial development of our Territories' immense resource potential – our diamonds, oil and gas have made us the focus of national and international attention. Our renewable resource economy, including tourism, forestry, and fur harvesting, also offers great promise.

On the political side, we have made, and are continuing to make, progress in resolving lands, resources and self-government issues. Aboriginal leaders appear confident that non-renewable resource development can be a positive force. Federal, territorial and Aboriginal governments have committed to work together on key issues such as devolution – the transfer of jurisdiction over northern resources to northern governments, including resource revenue sharing.

This is not to say that the challenges of unemployment, low education levels, social conditions and health concerns have been eliminated. Unfortunately, they still exist. However, if we can achieve a healthy economy and fiscally sound governments, we will be in a much better position to address these challenges.

In *Towards a Better Tomorrow,* Members of the 14th Assembly have laid out a vision for a prosperous future for the Northwest Territories. Members clearly recognize the great potential we hold. This government fully supports the vision laid out in *Towards a Better Tomorrow.* Over the next four years we hope to bring forward fiscal and economic initiatives that will put the Northwest Territories on track to realize this vision.

In order for us to achieve our potential, we must carefully assess our strengths and our weaknesses and focus on the strategies that will help us achieve our goals. These strategies must include:

- Building partnerships with other governments so that we are not working in isolation, but rather are sharing information and decision making; and

- Making key investments in our people, in our infrastructure and in our future.

However, Mr. Speaker, as I have stated in this House, along with my colleagues,

the new resources we are able to commit toward this vision in this Budget are limited. Given our fiscal position, the fact that we are able to maintain the service levels we currently enjoy is an achievement worth noting. This Budget allocates resources to keep pace with the growing demands in health, education and social services. I see this Budget as just the first step for achieving our vision. During this fiscal year we must finalize our strategies and determine how they can be financed.

We recognize that we cannot do this alone. We need to work together - Cabinet and Regular Members with the federal and Aboriginal governments - to put the necessary pieces into place. For example, we will need to draw on the work of the Economic Strategy Panel. We need to encourage the deliberations of the Intergovernmental Forum on devolution and resource revenue sharing. We need to develop further our non-renewable resource development strategy to identify the investments required to maximize the benefits to northerners from development. And finally, we need to know if the federal government will participate in a meaningful way in these crucial investments in the economic future of the Northwest Territories.

I am very optimistic that northerners, working together, can achieve a prosperous future. Both the Northwest Territories and Canada stand to make substantial gains if we make the right investments now.

1999-2000 FISCAL POSITION

Mr. Speaker, I would now like to review with you our current fiscal position, based on the results of the last two fiscal years.

The 1998-1999 fiscal year concluded with the creation of Nunavut and the new Northwest Territories. Although the audit of the 1998-1999 Public Accounts is not yet final, we anticipate that the non-consolidated accumulated surplus at the end of 1998-1999 will be $38 million. This amount will be allocated between Nunavut and the new Northwest Territories in accordance with the Agreement on the Division of Assets and Liabilities entered into prior to Division. As a result, the Northwest Territories will have begun its new existence on April 1, 1999, with an estimated $21 million accumulated surplus.

Mr. Speaker, the fact that we were able to start this new era with an accumulated surplus should be recognized as a major accomplishment, and credit for this achievement should be given to the 13th Legislative Assembly. Unfortunately, our ongoing problem of low revenue growth in the face of rising costs required the last government to budget a $34 million deficit for 1999-2000. This deficit is expected to eliminate the starting accumulated surplus of $21 million and place us in a small accumulated deficit position at the end of 1999-2000.

2000-2001 FISCAL OUTLOOK

Mr. Speaker, this fiscal year the government is making a significant change in how it presents its budget and financial information. In accordance with the recommendations of the Public Sector Accounting Board, all Canadian governments are expected to report on the value and accumulated depreciation of their tangible capital assets such as schools, highways and hospitals. Up to now, the value of these assets has not been reflected in our books. In the words of the Auditor General of Canada when speaking on this matter in relation to the federal government, I quote:

> *"The biggest problem with the way the government has kept its books for 130 years is that it didn't give the information needed to manage assets and plan for the future. We can't delay further – we're just catching up to 20th century practices as we enter the 21st century."*

The Government of the Northwest Territories is proud to be among the leading jurisdictions in the implementation of these new accounting guidelines. We firmly believe they will lead to better planning and greater transparency in government operations. We are also using this opportunity to enhance our budget presentation to include cash and debt forecasts in addition to our traditional forecasts of surpluses and deficits. We believe this additional information will provide the public with a more thorough understanding of government operations.

Mr. Speaker, because the technical aspects of these accounting changes require more explanation than I can provide in my speech, we have included, in the budget documents, a full explanation and reconciliation to former accounting practices. In addition, we are offering briefing sessions to the media and other interested groups.

The 2000-2001 Budget anticipates operating expenditures, including supplementary appropriations and lapses, of $763.6 million. Total revenues are estimated to be $751.3 million. This represents an expected operating deficit of $12.3 million. We also expect to make investments in additional tangible capital assets of $54 million during the 2000-2001 fiscal year.

When the operating deficit of $12 million and the undepreciated value of our investment in capital assets are taken into account, we expect an accumulated surplus position at the end of 2000-2001 of $843 million. Contributing to the $843 million accumulated surplus is the net book value of our capital assets at $846 million.

As Members are well aware, Mr. Speaker, we find ourselves in a deficit situation because our revenue growth has been, and is expected to continue to be, insufficient to meet the growing needs of our residents for programs and services. Having said this, we are expecting our revenues in 2000-2001 to be slightly higher than originally forecast. We are encouraged that the NWT population is growing again, after the decline experienced in 1998. However, our rate of population growth is still lower than that of Canada, and this translates into very little growth in the Formula Financing Grant. One-time federal funding of $8 million provided through the Canada Health and Social Transfer (CHST) and $5 million for prior years' nurses salary adjustments will help boost this year's revenues. In addition, we will receive funding from Canada of about $13 million to compensate for the increased pension costs imposed on us by changes to the federal *Public Service Superannuation Act*.

We are also expecting a substantial increase in our tax revenues over last year. Even though a portion of this increase is due to one-time adjustments for previous years, we anticipate that economic activity associated with resource development will translate into a higher tax base for this government. However, under our current fiscal arrangements with Canada, the GNWT will only benefit from about 20 per cent of this increase.

On the expenditure side, the program and service needs of our residents are forecast to continue to grow more quickly than our revenues. The demands on our expenditures are driven by a number of factors:

- Our demographics are a challenge – we have a large population of young people who need education, jobs and housing. At the same time, those over 65 years of age are the fastest growing segment of our population. We know, therefore, that we will face increasing pressures on our health care system and on our programs for the elderly;

- We have pressing needs for capital infrastructure – our highways and our basic community infrastructure, such as water and sewer, are badly in need of significant investment. This investment cannot be deferred indefinitely, especially in light of the need to attract further investment in resource development and ensure that we maximize the opportunities presented by our non-renewable resources;

- The health needs of our population are of serious concern – although there have been substantial improvements over the past fifteen years, we continue to lag behind national averages in many key areas, and finally;

- We need to respond to the serious social challenges of the NWT -- we need to address the underlying causes of issues such as substance abuse and other unhealthy choices which result in family violence, high crime rates, and fetal alcohol syndrome and fetal alcohol effect. If we don't, future governments will face even higher costs in dealing with these issues.

We cannot solve our problems simply by cutting expenditures. In 1995 and 1996, faced with a unilateral $55 million federally-imposed cut to our Formula Financing Grant, the previous government of the 13th Assembly reduced spending significantly: departments were combined, wages were reduced, hundreds of staff were laid off, capital spending was cut and services were reduced. However, these cuts did not solve the fundamental problem of the growing gap between our expenditures and revenues.

If we are to act as responsible fiscal managers, it is necessary to look at our expenditures to ensure that we are getting the best value for our dollars. A number of reviews have been initiated within the government to determine if there are areas where it makes sense to reduce spending:

- We are conducting a broad review of all government programs and functions. It is necessary to know if there are ways we can do things better, or if there are things we should no longer be doing; and

- We are also reviewing some specific areas such as government purchasing, energy use, and subsidies, to ensure spending is effective and efficient.

Finally, we are reviewing potential sources of additional revenue, including taxation.

I want to assure the public and the members of the public service that we are not looking either at wholesale cuts to programs and services or at large-scale layoffs as the solution to our fiscal situation. Making cuts to essential services will likely cost us much more in the future in terms of health and social problems.

Mr. Speaker, although major cuts to basic services are not considered wise, we must all temper our expectations of what the Northwest Territories government can afford to do. This includes our departments, our boards and agencies, our contribution recipients, our public sector unions and our program and service clients.

In *Towards a Better Tomorrow* the 14th Assembly has identified four key priorities for the next four years. It is on these priorities that the work and resources of this government will be focussed. We will make investments where we are able, just as the previous government made key investments in the diamond value-added sector, and in providing support to oil and gas activity, because they knew these investments would pay off.

However, our fiscal resources are limited. We know that substantial revenues will be generated from the development of our non-renewable resources. But it is only when northerners gain control over the pace of development, and receive the fiscal benefits of that development, that we will have the means to reach our goals.

IMPROVING SOCIAL WELLBEING

As its first priority, the 14th Legislative Assembly identified the need for our government to work with individuals, families and communities to improve the social wellbeing of NWT residents. The spending measures contained in this Budget reflect our strategies to achieve this priority. This Budget allocates $454 million, or 60 per cent of our total expenditures, to key social programs – health, education, social services, justice and housing. Despite fiscal constraints, we will maintain service levels. For example, in this Budget we propose to:

- Increase funding by more than $5 million to allow the Department of Health and Social Services to respond to the growing needs of our population for health care and, in part, to continue to address the ongoing health needs of our seniors population;

- Allocate an additional $3 million to allow the Department of Education, Culture and Employment to respond to projected growth in school enrolment and income assistance demands.

We have begun to make those strategic investments which we feel will pay large dividends in the future. Improving the social wellbeing of NWT residents begins with our youngest residents, Mr. Speaker. In many ways, the future of the Northwest Territories will depend on the measures we take today to improve and ensure the wellness of our youngest children. This is where investment will yield the greatest returns.

In recent years, we have reduced the rates of communicable diseases in children. Infant mortality and low birth weight rates have been reduced, and our children are staying in school longer.

Despite these successes, we still face many major challenges. For example, we continue to see unacceptable rates of alcohol and tobacco use during pregnancy. Our children are admitted to family violence shelters at four times the national rate. Our teen birth rate is three times the national average. If we believe our children are our future, we must do a better job of addressing these issues, not just at a government level but together at a community, family and individual level.

There is overwhelming research evidence that the years between birth and six years of age are key to future success. Investment in early childhood development pays off by reducing the likelihood that people will develop difficulties later in life. Over time, this reduces costs in the health care system, in the justice system, and in a variety of social services.

Under a federal-provincial-territorial agreement, the GNWT reinvests savings from the National Child Benefit in programs targeted at children. In 2000-2001, the Department of Education, Culture and Employment will invest an additional $210,000 under the Healthy Children Initiative, which enables children to start life as healthy as possible and to enhance their potential for full development. Through the Healthy Children Initiative, community groups can design and deliver integrated programs and services for children up to six years old.

We must, however, do more than this. I am pleased to announce that the Departments of Education, Culture and Employment and Health and Social Services will work on the development and implementation of a Territorial Agenda for children and youth. The first component of the agenda is an initiative in early childhood development, reflecting the fact that it is in the early years that the greatest impact can be made.

We have identified four key areas for investment under the Agenda:

- Support for parents and families;
- Programs for expectant and new mothers;
- Early childhood care; and
- Literacy programs.

As a sign of our commitment, later during this Session, the Honourable Jane Groenewegen, Minister of Health and Social Services, will be making a statement in support of early childhood development. This will be followed by consultations and the release of an early childhood development action plan. We will use the current fiscal year for planning and consultation. I hope that this government will be in a position to implement new initiatives in each key area in next year's Budget.

By investing in our youngest residents, we can ensure our children begin their school years ready to learn. From there, we must ensure that quality education and training is available to students of all ages. A well-educated population will be crucial if northerners are to benefit from the economic opportunities available.

We will increase funding in 2000-2001 by $1.6 million for student support services and to reduce the pupil/teacher ratio. This amount will increase to $4.0 million next year, to $6.4 million in the following year and to $8.2 million in 2003-2004 and will bring the pupil/teacher ratio to 16:1 in 2003-2004 from its current level of 18:1.

Financial assistance to students is a vital support to promote life-long learning and career development. This year, we are enhancing the individual benefits for students to ensure that the support available better reflects the costs of post-secondary studies. Thanks to the support of all Members of the Legislative Assembly, we have obtained approval to proceed with a redesigned Student Financial Assistance Program, one that will put more money in the hands of NWT students with a particular focus on Aboriginal and long-time northerners.

We are making these investments in our residents, but there is a great need for additional investments to ensure a healthy and educated population in the Northwest Territories. We can only make investments within our means.

The needs of territorial residents require that the Government of Canada make its contribution to the cost of social programs. Unfortunately, in spite of the improvement in the federal fiscal situation, transfers for social programs continue to be subject to federal restraint measures.

In its last two budgets, the federal government has announced a partial restoration of CHST funding. This Budget has made provision for a Supplementary Reserve of $4.8 million, which represents the GNWT's share of the 1999 CHST Trust – one time federal funding which the provinces and territories have committed to allocate to health care. The Department of Health and Social Services will be coming forward with proposals for the use of this money, which will focus on the implementation of primary health care models.

Along with the provinces and other territories, the Government of the Northwest Territories has called for full restoration of the CHST to 1994-1995 levels, including the addition of an appropriate escalator to reflect growing costs.

The additional CHST funding provided to date will increase our revenues by about $4 million per year over the next four years. Full restoration of the CHST would provide the GNWT with a further $4 million per year. However, this is far less than the ongoing effect of the 1996 cut to the Formula Financing Grant.

BETTER GOVERNANCE THROUGH PARTNERSHIPS

Mr. Speaker, the second priority in *Towards a Better Tomorrow* is that of "Better governance through partnerships." We recognize that we cannot achieve our objectives in isolation. We need to work in partnership – federal, Aboriginal and territorial governments – to make change happen.

The building of strong partnerships between the Government of the Northwest Territories and Aboriginal governments is a priority of this government. We are working diligently to strengthen and enhance our intergovernmental relationship with Aboriginal governments.

In the Beaufort Delta region, our government and the Government of Canada have entered into a political accord with the Gwich'in Tribal Council and the Inuvialuit Regional Corporation to work together on issues of common concern. On June 13th, 2000, in Lutselk'e, the Minister of Aboriginal Affairs, the Honourable Jim Antoine, entered into a political accord on behalf of the Government with the Akaitcho Dene First Nations. This accord recognizes the growing relationship between our respective governments and the need to work closely together on issues affecting both the Akaitcho region and the territory as a whole.

At the territorial level, the Intergovernmental Forum process brings together the territorial, federal and Aboriginal governments to discuss issues that are territorial in scope. At the first Intergovernmental Forum meeting held in Hay River on May 5th, 2000, leaders agreed to work together on pipeline developments, devolution and capacity building for Aboriginal governments leading up to the next Intergovernmental Forum meeting in the fall.

This government is fully committed to building solid intergovernmental relationships through the Intergovernmental Forum. This unique governments to government to government approach will provide a process for on-going dialogue among the parties on such key issues as devolution of control over northern resources, and other shared concerns. As part of our commitment to this process, we have dedicated three full-time positions to work on this important initiative. The Government of the Northwest Territories, along with the federal government, is also committed to ensuring that Aboriginal governments have adequate resources to participate as full partners in this process. While we have not identified financial resources in this Budget to fund Aboriginal government participation in the Intergovernmental Forum, this government has made a commitment to fund one-third of these costs. Once final decisions are made on these costs, we will be asking for additional appropriations from this Legislative Assembly.

This government recognizes the inherent right of self-government of Aboriginal people in the NWT. We are working with Aboriginal people to create an environment in which this right can be realized and implemented. To this end, we are strongly committed to negotiating agreements that will achieve the Assembly's goal of "Strong and effective Aboriginal and public governments, operating co-operatively with no reduction in program and service levels as a result of implementing self-government agreements."

A VIBRANT NORTHERN ECONOMY

The third priority of the 14th Assembly is "A northern-controlled economy that is balanced, diversified, stable and vibrant." We are fortunate that our economic future holds such great promise.

The prospects for mineral and petroleum development in our territory are bright. Diamond mining has become an established industry in the north, with one mine in production and planning to expand, a second in the final planning and approval stages, and a third expected to soon make application for environmental licensing.

We have weathered a severe downturn in the international gold market and are hopeful that the worst is over.

The recent increase in the North American market for natural gas has led to a renewed interest in NWT oil and gas reserves. For the first time in 25 years, the possibility of a Mackenzie Valley natural gas pipeline is a hot topic in boardrooms across the nation. In addition, NWT Aboriginal leaders have formed the Aboriginal Pipeline Group, to promote Aboriginal ownership and participation in pipeline development.

Our renewable resources also hold great potential. We have made great strides in our tourism industry, but there is room for considerable growth. NWT fashion designers are making the national scene with products that combine traditional materials and methods with a more contemporary look. Our forestry and agricultural potential has not been realized.

The renewable resource sector is especially important to the smaller communities and to those who prefer seasonal employment or employment related to traditional skills. Tourism now generates in excess of $30 million a year in income in the NWT. The recent display of northern fur garments at the Montreal fur exposition confirms the world demand for our high quality northern wild fur. With healthy fish and wildlife populations, outfitting continues to provide seasonal employment for over 300 northerners. Proven agricultural ventures include two egg production facilities and successful market gardens located in Hay River and Fort Smith. The egg quota alone

exceeds $3.8 million in value. Opportunities exist in such areas as secondary processing of timber, the harvest of wild plants and agriculture. Examples of recent success stories in these new areas include the test harvest of morel mushrooms in the Yellowknife area last summer and the Inuvik Community Garden Project. Development of the renewable resource sector is critical to developing a diverse and stable economy.

Finally, the development of our resources needs to be balanced against the impact on our environment. The Government of the Northwest Territories is coordinating the development of a northern strategy to control greenhouse gases. This process involves over 40 federal and territorial agencies, Aboriginal organizations, industry and environmental groups. The general public will be part of the consultation process as well. The draft strategy to control greenhouse gas emissions will be presented to Cabinet in the fall of 2000.

Mr. Speaker, we are working to maximize the opportunities for northerners from development of our resources. To do this, we have to address a number of challenges, such as the need to provide training, to build the necessary infrastructure and to ensure that we as northerners benefit from development. The Government of the Northwest Territories has made a substantial investment in promoting a secondary diamond industry, and has supported Aboriginal organizations in becoming partners. In addition to the direct funding of $5 million to support and promote value-added diamond initiatives, the GNWT has also approved $20 million in loan guarantees to three companies establishing operations in the Northwest Territories. Within our means, we are committed to continuing to provide similar support to northern companies working in the oil and gas sectors.

In January of last year, the previous Minister of Resources, Wildlife and Economic Development, the Honourable Stephen Kakfwi, initiated the Economic Strategy Panel, representing a cross-section of Northwest Territories interests, to examine the opportunities and challenges we face. The diverse interests represented on the panel have ensured a broad and informed view of what needs to be done to stimulate development and improve the circumstances of Northwest Territories residents.

Under the leadership of Mr. Richard Nerysoo and Mr. Daryl Beaulieu, the panel has completed its work and has provided the comprehensive recommendations we need to focus our economic development efforts.

I am pleased to announce that the report of the Economic Strategy Panel, entitled "Common Ground", will be tabled during this Session, and I look forward to the debate of the report's discussion and recommendations. The document will also be made available to interest groups and the general public to ensure we are on common ground and can proceed confidently with a clear and definitive economic development strategy for the Northwest Territories.

Development of our non-renewable resources has the potential to generate $35 billion in resource royalties and over $55 billion in taxes to both levels of government over the life of known and potential reserves. An agreement on devolution of authority for resource management with Canada would allow a significant portion of those revenues to flow to northern governments - both public and Aboriginal.

But in order to realize those revenues, major investments must be made today. The NWT lacks the basic infrastructure to support economic development, including a system of all-weather roads, communications systems on par with the rest of Canada, and municipal services that can support rapid community expansion. Many northern residents lack the educational levels that would allow them to take advantage of jobs created by development. Northern businesses, including Aboriginal development corporations, may not have access to the necessary venture capital or expertise. Industry has told us time and time again that the regulatory regime in the north needs to be streamlined, and that the rules have to be clearer, before they are willing to make major investments in the development of our resources.

In order to address these challenges, I have proposed a Non-Renewable Resource Development Strategy. The strategy outlines the investments that are required to create the right environment for resource development in the north, to manage development effectively, and to ensure that northern residents reap maximum benefits.

But this is not just a plan for the Government of the Northwest Territories. We can not do it alone. We want to see all the parties with an interest in northern resource development work together to make the needed investments - including the federal government, the territorial government, Aboriginal groups and industry. For this reason, we have presented our proposal to the federal Ministers of Indian and Northern Affairs and Finance, to our Aboriginal partners through the Intergovernmental Forum, and also to members of industry.

The strategy proposes an investment level of $340 million over the next four years. Mr. Speaker, the GNWT is prepared to do our part – we propose to maintain current levels of investment totalling more than $100 million over four years. We are hopeful that the federal government will make the required level of commitment and invest in a bright future for the Northwest Territories.

Part of the strategy is the vision of a Mackenzie Valley gas pipeline, which would bring natural gas from the Beaufort Sea and Mackenzie Delta to markets in southern Canada and the United States. This pipeline would also be the cheapest way to bring gas from northern Alaska to markets, and would allow for the development of other reserves along the route of the pipeline.

A Mackenzie Valley pipeline would also provide significant benefits to the rest of Canada. Much of the equipment and materials used to build the pipeline will come from southern Canada. We estimate that a Mackenzie Valley pipeline, with a link to Alaska's Prudhoe Bay reserves, would result in about 80,000 person-years of direct, indirect and induced employment during construction. Eighty per cent of these jobs will be in southern Canada. The construction would increase Canadian Gross Domestic Product by $5.5 billion. More secure supplies of natural gas would replace other kinds of fuel and help Canada meet its commitments to reduce greenhouse gases under the Kyoto Accord.

To respond to ongoing and future development of the Northwest Territories' resources, a number of initiatives will be undertaken by this government this year. The Department of Resources, Wildlife and Economic Development will commit over $700,000 this fiscal year to help communities prepare for this development. These initiatives include:

- The creation of four Regional Petroleum Advisor positions, one in each of the three regions that have the greatest levels of activity and one position in headquarters, so that northern communities can maximize economic and employment opportunities through planning and preparation for the expected increase in industrial activity;

- Allocating funding to provide legal and business development advice to Aboriginal organizations to work together to obtain significant ownership in the construction and operation of NWT pipelines. Equity participation in oil and gas infrastructure is considered to be one of the primary ways to ensure long-term wealth creation for northern residents;

- Providing resources to the Aboriginal Pipeline Group to assist with acquiring legal, financing and business development advice to support the initial establishment of this consortium;

- Gathering information on the ecosystem and baseline health data for the Deh Cho, Sahtu and Inuvik Regions. This information will be used to support environmental and socio-economic monitoring of the impacts of development in co-operation with communities, industry and the federal government; and

- Investigating options for adding value to the gas industry through the manufacture of products and developing access to northern produced natural gas as an alternative source of energy for communities and industry.

We will also make investments to ensure northerners have the education they need to take advantage of job opportunities. The Department of Education, Culture and Employment will spend $1.3 million in 2000-2001 to promote employment in the oil and gas and diamond industries. The department will also invest an additional $1 million to target youth employment.

The recent expansion in the Northwest Territories' resource industries has increased the demands on the territorial highway system. To keep pace with this heavier, industrial traffic, the Department of Transportation has planned capital improvements for Highways 3,4,7 and 8 where the impacts of the increased traffic have been greatest.

The reconstruction of Highway 3 between Rae and Yellowknife should progress by another eight kilometres this year at a cost of $6 million. The Department is involved in federal-territorial discussions to apportion the $600 million in National Highway Program funds announced by the federal government earlier this year and it is hoped that a significant amount will be allocated to the NWT for work on the Rae–Yellowknife portion of Highway 3.

In anticipation of continuing oil and gas industry development in the Liard Valley, approximately $500,000 is scheduled for grade stabilization and surface improvements on the first 50 kilometres of Highway 7 from the British Columbia border north to Fort Liard.

On Highway 8, the Dempster Highway from the Yukon border to Inuvik, the $2 million reconstruction program for 2000-2001 includes the installation of a new bridge at Campbell Creek south of Inuvik. The bridge replaces two large diameter culvert pipes and should prove more habitat friendly for fish stocks in the stream.

This year the Department of Transportation intends to continue its bridge program on the Mackenzie Valley winter road into the Sahtu. The completion of the Ochre River Bridge, at a cost of $960,000, will allow the winter road to open earlier and should extend the winter road season by as much as a week.

I would now like to turn to the issue of taxation. Today I am announcing a tax initiative which I believe will help make our economy more diversified. Mr. Speaker, the tourism potential in the NWT has barely been tapped. This industry can be an important component of the NWT economy and can play a key role in diversifying the economic base of our communities. First, we need to let potential tourists know where the NWT is and what we have to offer - we need to project a strong NWT image and promote the NWT as a destination throughout the world. Second, to better serve our customers we need to strengthen the base of tourism services in every region - we must develop quality attractions, products and services in every region and we must advertise these attractions.

However, to effectively achieve these two objectives, investments are necessary. The GNWT cannot afford the required investment on its own. One of the sources for such investment is a tax on hotel occupancy. Today I am proposing that the Government of the Northwest Territories, effective April 1, 2001, adopt a 5 per cent tax on occupancy charges in commercial accommodation facilities with four or more rooms. We propose that the estimated $1 million in annual revenue raised from this tax would be reinvested in tourism with the goal of developing our tourism potential. If this tax is approved, the Department of Resources, Wildlife and Economic Development will be coming forward with a plan for tourism promotion for inclusion in the 2001-2002 Budget.

It is my intention to introduce legislation respecting this measure later during this Session. I will also be seeking input from MLAs, individuals, and business groups, in particular the tourism industry, and other organizations prior to the passage of this legislation.

BECOMING MORE SELF-RELIANT

The fourth priority the 14th Assembly has set is to secure "Adequate resources to help all levels of government to become more self-reliant in meeting the needs of the people they serve." This is key to achieving the Assembly's vision of "a strong, unified and self-reliant Northwest Territories that can take its rightful place in the federation and the international community". Mr. Speaker, for the first time in our history, we are poised to achieve that vision, and to become the first "have" territory in Canada.

New resource development in the Northwest Territories has the potential to provide as much as $90 billion in royalties and tax revenues for government over the life of the developments – most of which will flow to the federal government. Funds from resource development have the potential to help finance needed investment in infrastructure and growing costs in the social area.

The three territories are the only jurisdictions in Canada which still do not have complete control over their non-renewable resources. Virtually all of the mineral and oil and gas royalties generated in the Northwest Territories currently go to the federal government. As well, about eighty per cent of the NWT tax revenues generated by resource development reduce the Grant from Canada. As a result, the Government of the Northwest Territories does not have the money required to fund the infrastructure necessary for the new development or to mitigate the social impacts of development.

Steps need to be taken immediately to ensure that these funds flow to the governments, both the Government of the Northwest Territories and the Aboriginal governments, that have the responsibility for providing services to the people of the north. Devolution of both control over development and the revenue from natural resources needs to happen to provide the residents of the Northwest Territories advantages equal to those enjoyed by residents of the provinces.

Investments needed to take full advantage of development, such as the investments made in secondary diamond processing, have been primarily funded by the Government of the Northwest Territories. This has resulted in higher deficits and fewer resources over the short term for other programs. The Northwest Territories does not have the capacity to make these pro-active investments alone. We need to act now to ensure that the revenues from resource development in the north go to northern governments to provide needed investments and services for northern residents.

Northern control over resources will allow northerners to take better advantage of our non-renewable resources, ensuring that development occurs when northern residents are able to take maximum advantage of it. Control will allow us to ensure that more processing occurs in the north, and that there are more employment opportunities for northerners. Control will also allow us to bring clarity and certainty to the regulatory and fiscal regimes. If northern governments have full control over all our resources and diamond, oil and gas developments proceed, the Northwest Territories could become a "have" territory over the next ten years.

CONCLUSION

Mr. Speaker, I sincerely believe that the future of the Northwest Territories has never looked brighter. There will be opportunities over the next ten years in a number of areas for developments that can benefit the residents of the Northwest Territories. But we need to act now to ensure that we can take full advantage of these opportunities. We cannot afford to wait.

The Legislative Assembly has set out a vision of a strong, unified and self-reliant Northwest Territories that can take its rightful place in Canada.

We need to make the right decisions over the next few years to ensure that we achieve this vision. We are doing our best to improve social well-being and service levels with existing resources, but we need full access to the revenues from our resources if we are to make significant progress towards addressing our problems. We need to ensure that we continue to maintain a tax and regulatory environment that does not unnecessarily restrict business, without compromising the environment or social programs.

We must work in partnership with the federal and Aboriginal governments to ensure that northerners benefit from the development of our resources and that northern governments have the resources needed to take our place in Canada to provide top quality programs and services to our residents.

Mr. Speaker, it is clear there is a lot to do over the next four years and we, as the 14th Legislative Assembly, have developed a vision of what we want to accomplish. We face many challenges in the north, but there are many opportunities as well. Although we are forecasting a deficit budget for the fiscal year 2000-2001, we are maintaining the levels of services provided to northerners and investing where we can to provide maximum returns on the future – both for our people and our economy. In closing, I would like to re-state my optimism for the future and that I truly believe these are exciting times.

Appendix

Fiscal, Economic and Social Review

SUMMARY OF OPERATIONS
(thousands of dollars)

	2000-2001 Main Estimates	1999-2000 Revised Estimates	1999-2000 Main Estimates
REVENUES	**751,330**	**716,298**	**708,317**
OPERATIONS EXPENSE			
Compensation and Benefits	144,437	131,387	128,115
Grants and Contributions	350,828	347,647	333,961
Other Expenses	223,884	220,487	211,767
Amortization	37,686	34,858	34,862
TOTAL OPERATIONS EXPENSE TO BE VOTED	**756,835**	**734,379**	**708,705**
UNADJUSTED OPERATING (DEFICIT) SURPLUS	**(5,505)**	**(18,081)**	**(388)**
ESTIMATED SUPPLEMENTARY REQUIREMENTS			
Regular Operating Requirements	(15,000)	-	(26,000)
CHST Trust Initiatives	(4,800)		
ESTIMATED APPROPRIATION LAPSES			
Regular Operating Activities	8,000	6,000	8,000
Additional Forced Savings	5,000		
WORK PERFORMED ON BEHALF OF OTHERS			
Recoveries	35,473	52,089	51,483
Expenditures	(35,473)	(52,089)	(51,483)
OPERATING DEFICIT FOR THE YEAR	**(12,305)**	**(12,081)**	**(18,388)**
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR	**835,755**	**21,387**	**34,365**
NET BOOK VALUE OF ASSETS IN SERVICE	-	**826,449**	**812,300**
INCREASED IN NET BOOK VALUE DURING THE YEAR	**19,076**	-	-
ACCUMULATED SURPLUS AT THE END OF THE YEAR	**842,526**	**835,755**	**828,277**

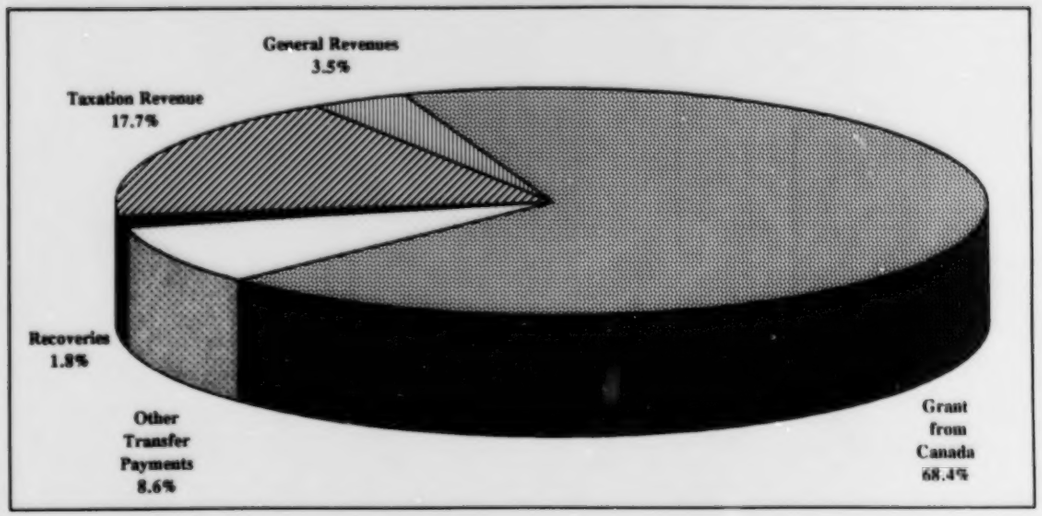
Note: The Accumulated Surplus at the Beginning of the Year for the 1999-2000 Main Estimates and 1999-2000 Revised Estimates represents the balance of projected closing surplus for 1998-99 that is allocated to the Northwest Territories.

The comparative amounts for the 1999-2000 Main Estimates and the 1999-2000 Revised Estimates have been restated to reflect the impact of the new capital asset accounting policy.

SUMMARY OF REVENUES
(thousands of dollars)

	2000-2001 Main Estimates	1999-2000 Revised Estimates	1999-2000 Main Estimates
GRANT FROM CANADA	**513,648**	**526,913**	**522,015**
TRANSFER PAYMENTS	**59,518**	**52,989**	**49,578**
CHST RESTRICTED TRUST REVENUE	**4,800**	-	-
TAXATION REVENUE			
Personal Income Tax	54,918	49,920	44,672
Corporate Income Tax	39,306	7,382	14,218
Tobacco Tax	9,886	10,013	9,903
Fuel Tax	10,832	5,865	7,414
Payroll Tax	8,804	8,482	8,936
Property Tax and School Levies	8,018	6,889	6,758
Insurance Taxes	1,500	1,500	1,376
	133,264	**90,051**	**93,277**
GENERAL REVENUES			
Liquor Commission	14,380	14,332	13,685
Regulatory Revenues	9,930	10,230	9,826
Investment Income	2,075	2,494	2,332
Other General Revenues	90	64	64
	26,475	**27,112**	**25,907**
OTHER RECOVERIES			
Rentals	1,397	2,435	2,003
Power Subsidy	4,423	3,986	3,986
Insured and Third Party Recoveries	30	486	60
Miscellaneous	4,364	5,246	5,104
Recovery of Prior Years' Expenditures	3,000	3,000	3,000
	13,214	**15,153**	**14,153**
CAPITAL RECOVERIES			
Sale of Assets	350	3,350	3,350
Construction Recoveries	61	708	15
Other Capital Recoveries	-	22	22
	411	**4,080**	**3,387**
TOTAL REVENUES	**751,330**	**716,298**	**708,317**

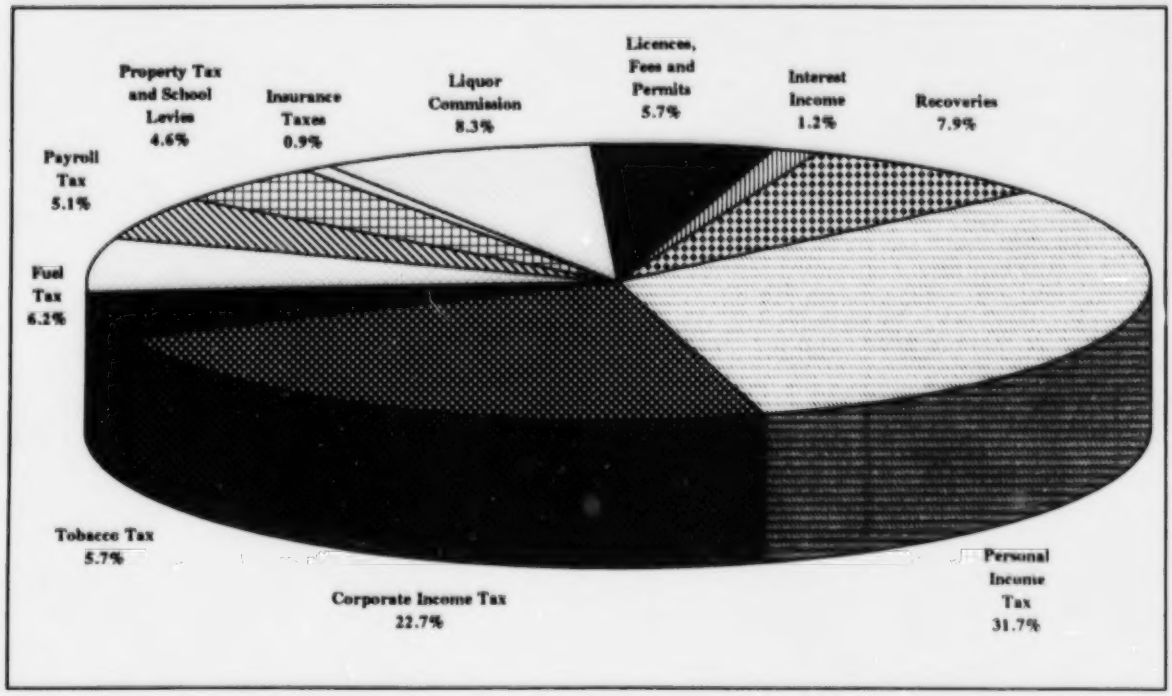
GOVERNMENT REVENUES BY SOURCE
2000-2001



Source: 2000-2001 Main Estimates

- The Grant from Canada under the Formula Financing Agreement constitutes the single largest source of revenue available to the Government of the Northwest Territories.
- The 2000-2001 Grant forecast of $514 million will account for 68.4 per cent of the Northwest Territories' total revenues.
- Between the Grant from Canada and other transfer payments, the Government of the Northwest Territories will receive 77 per cent of its 2000-2001 revenues from the Government of Canada.
- Because territorial own-source revenues represent only 23 per cent of total revenues, the Government of the Northwest Territories has a limited ability to meet expenditure demands through revenue measures.

GOVERNMENT OWN-SOURCE REVENUES
2000-2001



Source: 2000-2001 Main Estimates

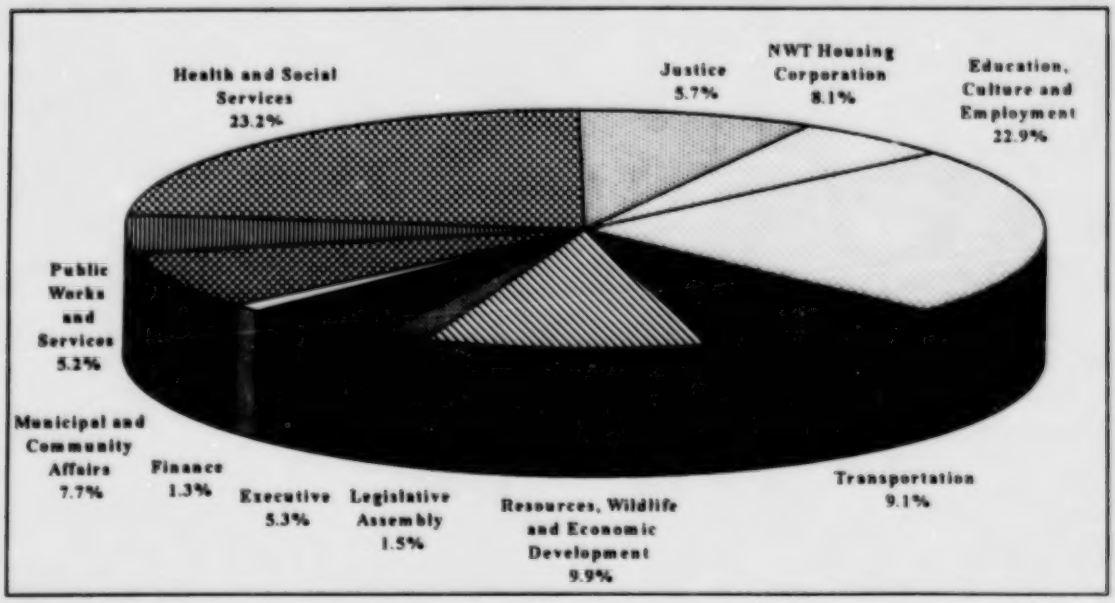
- Total own-source revenues in 2000-2001 are expected to be $173 million, of which $133 million, or 77 per cent will come from taxation.
- Personal Income Tax is expected to account for 31.7 per cent of own-source revenues in 2000-2001.
- Corporate Income Tax is expected to comprise 22.7 per cent of 2000-2001 own-source revenues. Corporate Income Tax revenues are very volatile because a large portion is paid by a few companies in the resource sector.
- Recoveries, which include mainly rental income, power subsidies, sales of government assets and sales of goods and services, are expected to account for 7.9 per cent of total revenues in 2000-2001.

SUMMARY OF OPERATIONS EXPENSES BY DEPARTMENT
(thousands of dollars)

	2000-2001 Main Estimates	1999-2000 Revised Estimates	1999-2000 Main Estimates
Legislative Assembly	11,596	10,906	10,906
Executive	40,453	38,152	31,164
Finance	9,797	8,233	7,113
Municipal and Community Affairs	58,407	61,534	58,752
Public Works and Services	39,148	38,654	38,772
Health and Social Services	175,502	170,298	163,941
Justice	61,520	55,608	55,261
NWT Housing Corporation	43,371	46,932	43,276
Education, Culture and Employment	173,422	161,853	158,449
Transportation	68,496	68,097	67,435
Resources, Wildlife and Economic Development	75,123	74,112	73,636
TOTAL OPERATIONS EXPENSES	**756,835**	**734,379**	**708,705**

Note: The comparative amounts for the 1999-2000 Revised Estimates and the 1999-2000 Main Estimates have been restated to reflect the impact of the new capital asset accounting policy.

OPERATING EXPENDITURES BY DEPARTMENT
2000-2001



Source: 2000-2001 Main Estimates

- Most territorial spending is in the area of social programs: education, health and social services, justice and housing programs. These programs represent 60 per cent of the Government of the Northwest Territories' 2000-2001 budget.

- The share of Northwest Territories' spending on social programs is similar to the spending patterns of the other territories and provinces.

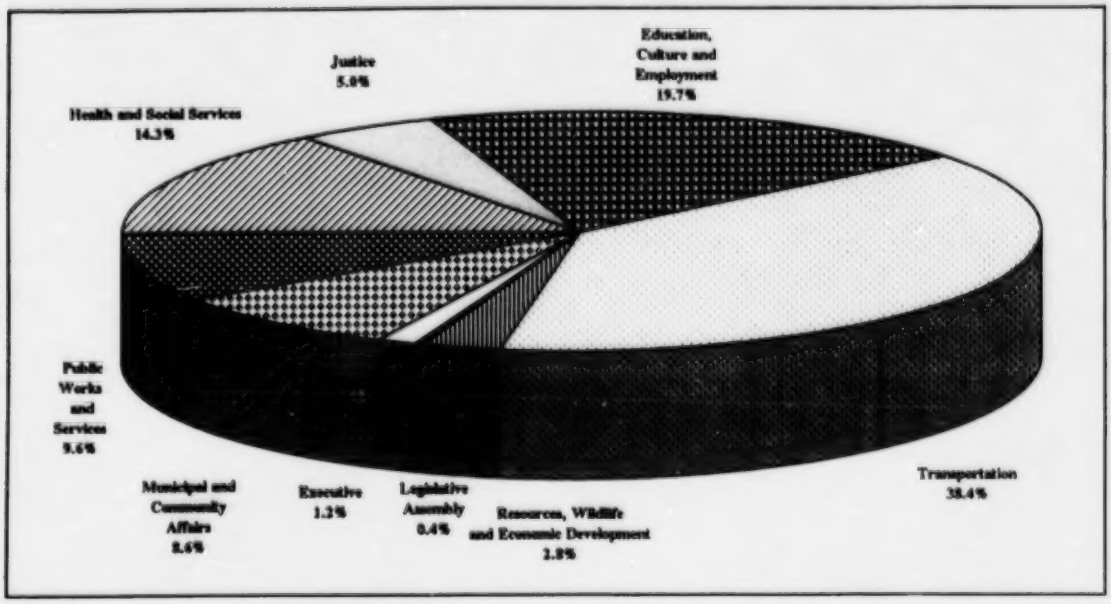
- Because a large portion of spending is targeted for social programs, demographic and social pressures in the Northwest Territories will largely determine growth in expenditure requirements in future years.

SUMMARY OF CAPITAL ACQUISITIONS BY DEPARTMENT
(thousands of dollars)

	2000-2001 Main Estimates	1999-2000 Revised Estimates	1999-2000 Main Estimates
Legislative Assembly	210	408	408
Executive	680	1,519	74
Finance	-	-	-
Municipal and Community Affairs	4,923	3,170	2,294
Public Works and Services	5,457	2,973	1,042
Health and Social Services	8,157	5,276	5,276
Justice	2,868	4,541	4,356
NWT Housing Corporation	-	-	-
Education, Culture and Employment	11,142	17,360	13,505
Transportation	21,826	27,997	19,841
Resources, Wildlife and Economic Development	1,619	1,930	1,441
TOTAL CAPITAL ACQUISITIONS	**56,882**	**65,174**	**48,237**

Note: The comparative amounts for the 1999-2000 Revised Estimates and the 1999-2000 Main Estimates have been restated to reflect the impact of the new capital asset accounting policy.

CAPITAL INVESTMENT BY DEPARTMENT
2000-2001



Source: 2000-2001 Main Estimates

- Total capital investment by the GNWT in 2000-2001 is expected to be $57 million.
- The Department of Transportation is expected to account for 38.4 per cent or $22 million of all capital investment, of which $16 million will be directed for highways.
- The Department of Education, Culture and Employment (EC&E) provides funding to build, renovate and equip schools, colleges, museums, public libraries, as well as facilities for culture and language programs. The EC&E capital budget for 2000-2001 will be $11 million.
- The Department of Health and Social Services is expected to account for $8 million or 14.3 per cent of total capital investment.

SUMMARY OF CHANGES IN CAPITAL ASSETS AND AMORTIZATION
(thousands of dollars)

	2000-2001 Main Estimates	1999-2000 Revised Estimates	1999-2000 Main Estimates
BEGINNING OF THE YEAR			
Cost of Capital Assets in Service	1,333,307	1,273,835	1,273,835
Accumulated Depreciation	(535,023)	(500,165)	(500,165)
Net Book Value	798,284	773,670	773,670
CHANGES DURING THE YEAR			
Capital Assets Put into Service	61,725	59,472	48,464
Disposals	-	-	
Amortization	(37,686)	(34,858)	(34,862)
NET BOOK VALUE OF CAPITAL ASSETS IN SERVICE AT THE END OF THE YEAR	**822,323**	**798,284**	**787,272**
Work in Progress on Multi-year Projects	23,202	28,165	25,028
TOTAL NET BOOK VALUE AND WORK IN PROGRESS	**845,525**	**826,449**	**812,300**

Note: Capital assets in service include assets purchased, constructed or acquired by a capital lease.

Assets put into service during the year include multi-year projects commenced in prior years and completed in the current year plus those projects started and completed in the current year.

Capital asset values shown are based on original cost, not current or replacement cost.

SUMMARY OF ACCUMULATED CASH POSITION
(thousands of dollars)

	2000/2001 Main Estimates	1999/2000 Revised Estimates	1999/2000 Main Estimates
BUDGETARY REQUIREMENTS			
Operating Activities			
Total Operations Expense to be Voted	756,835	734,379	708,705
Estimated Supplementary Requirements	19,800	-	26,000
Less Non-cash Items:			
Estimated Appropriation Lapses	(13,000)	(6,000)	(8,000)
Amortization	(37,686)	(34,858)	(34,862)
Cash Required for Operating Activities	**725,949**	**693,521**	**691,843**
Investment in Capital Assets			
Planned Capital Acquisitions for the Year	56,882	65,174	48,237
Estimated Supplementary Requirements	9,000	-	11,000
Less Non-cash Item:			
Estimated Appropriation Lapses Due to Incomplete Capital Projects	(12,000)	(14,000)	(10,000)
Cash Required for Capital Asset Investments	**53,882**	**51,174**	**49,237**
Total Cash Required for Operating and Investing Activities	**779,831**	**744,695**	**741,080**
Revenues	**751,330**	**716,298**	**708,317**
CASH DEFICIT GENERATED BY BUDGETARY REQUIREMENTS	**(28,501)**	**(28,397)**	**(32,763)**
ESTIMATED CHANGES TO FINANCIAL ASSETS			
Due from Canada	(19,415)	46,251	27,292
Accounts Receivable	41,818	(33,311)	15,068
Inventories	1,100	1,128	2,341
Prepaid Expenses	1,612	866	2,622
Trades Payable and Other Accrued Liabilities	(12,896)	(38,277)	(54,365)
ESTIMATED NET EFFECT ON CASH POSITION DUE TO CHANGES TO FINANCIAL ASSETS	**12,219**	**(23,343)**	**(7,042)**

SUMMARY OF ACCUMULATED CASH POSITION (continued)
(thousands of dollars)

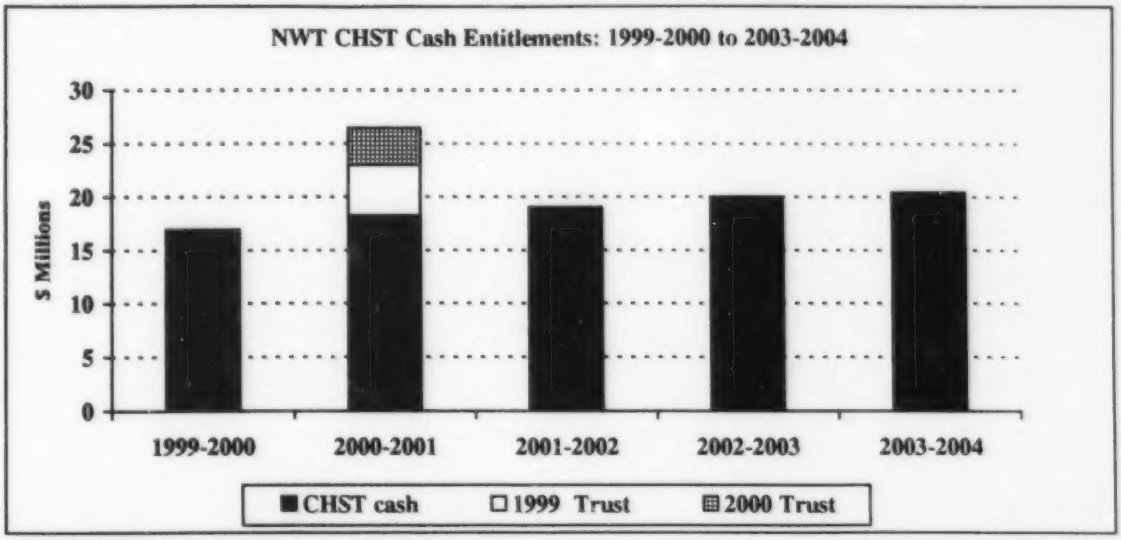
	2000/2001 Main Estimates	1999/2000 Revised Estimates	1999/2000 Main Estimates
PROJECTED NON-BUDGETARY TRANSACTIONS			
Cash Outflows			
Payment of Equal Pay Settlement Offers	2,000	16,665	22,000
Student Loans Granted	6,566	3,734	3,537
Advances to the NWT Business Credit Corporation	4,500	4,500	4,500
Petroleum Products Revolving Fund Operations	10,516	10,743	11,198
Principle Portion of Capital Lease Liabilities	1,571	1,346	1,346
Total Cash Outflows	**25,153**	**36,988**	**42,581**
Cash Inflows			
Due from Government of Nunavut	35,313	-	-
Student Loans Repaid	1,332	1,094	1,020
Principle Repayments by the NWT Business Credit Corporation	1,500	1,700	1,700
Revenue from Petroleum Products Revolving Fund Operations	9,158	9,646	10,029
Repayment of Municipal Loans	403	954	954
Deferred Capital Recoveries	2,800	-	-
Total Cash Inflows	**50,506**	**13,394**	**13,703**
CASH SURPLUS (DEFICIT) GENERATED BY NON-BUDGETARY TRANSACTIONS	**25,353**	**(23,594)**	**(28,878)**
TOTAL PROJECTED CASH SURPLUS (DEFICIT) FOR THE YEAR	**9,071**	**(75,334)**	**(68,683)**
PRIOR YEAR CASH SURPLUS (DEFICIT)	(70,828)	4,506	4,506
ACCUMULATED CASH SURPLUS (DEFICIT)	**(61,757)**	**(70,828)**	**(64,177)**

SUMMARY OF NET DEBT AND ESTIMATED BORROWING CAPACITY
(thousands of dollars)

	2000/2001 Main Estimates	1999/2000 Revised Estimates	1999/2000 Main Estimates
ACCUMULATED CASH DEFICIT (SURPLUS)	61,757	70,828	64,177
GUARANTEED DEBT			
NWT Power Corporation	116,750	114,102	114,102
NWT Energy Corporation	24,166	24,394	24,394
NWT Housing Corporation	28,749	29,218	29,218
TOTAL GUARANTEED DEBT	**169,665**	**167,714**	**167,714**
TOTAL NET DEBT	**231,422**	**238,542**	**231,891**
AUTHORIZED BORROWING LIMIT	**300,000**	**300,000**	**300,000**
AVAILABLE BORROWING CAPACITY	**68,578**	**61,458**	**68,109**

Note: **Total Net Debt does not include long-term debt of $18 million (1999 - $19 million) attributed to capital leases and $24 million (1999 - $7 million) of loan guarantees approved for the Secondary Diamond Industry.**

CANADA HEALTH AND SOCIAL TRANSFER



Source: Finance Canada, GNWT Department of Finance

- The Canada Health and Social Transfer (CHST) is a block fund transfer to the provinces and territories for spending on health care, post-secondary education and social assistance programs.

- In its 1999 Budget, the federal government announced additional health care funding including both the $3.5 billion CHST Trust and increases to ongoing CHST entitlements beginning in 2000-2001. In the 2000 federal Budget, an additional CHST Trust of $2.5 billion was created.

- The Northwest Territories was allocated $4.8 million from the 1999 CHST Trust. The funds will be drawn down in 2000-2001 and spent on new health initiatives, in accordance with the commitment made by provincial and territorial Premiers in 1999.

- The Northwest Territories' $3.4 million share of the 2000 CHST Trust will be spent this year to cope with rising health and post-secondary education costs.

- The CHST Trust funds represent one-time amounts. As a result, they will only temporarily offset the GNWT's growing costs in the health and education fields.

NORTHWEST TERRITORIES
ECONOMIC INDICATORS: 1999 - 2000

INDICATOR	1999(E)	2000(P)
Final Domestic Demand		
(Millions of 1992 $)	2,162	2,280
(% Change)		5.5
Total Investment		
(Millions of 1992 $)	500	539
(% Change)		7.8
Consumer Expenditures		
(Millions of 1992 $)	920	986
(% Change)		7.2
Government Expenditures		
(Millions of 1992 $)	742	755
(% Change)		1.8
Employment (000's)	18,730	19,030
(% Change)		1.6
Avg. Weekly Earnings ($)	760	811
(% Change)		6.7
CPI (Yellowknife)	109.3	111.4
(% Change)	1.0	1.9

(E) Estimate by GNWT Department of Finance
(P) Projected by GNWT Department of Finance

Source: Statistics Canada
GNWT Department of Finance

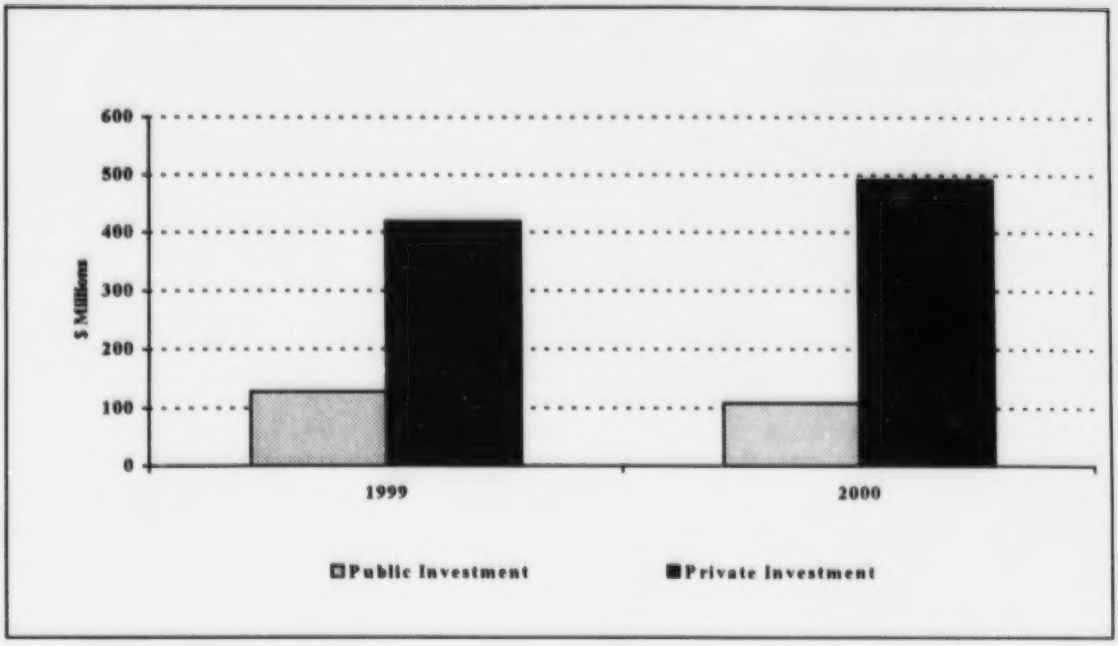
Note: Some indicators for the new Northwest Territories are not available. Statistics Canada is in the process of splitting historical indicators on a Northwest Territories - Nunavut basis.

- The increased 2000 investment intentions are attributable to construction at the Diavik Diamond mine. Public sector capital spending is expected to decline in 2000 compared with 1999.

- Consumer expenditure increases are attributable to improvements in employment and sharply rising average weekly incomes.

- The small increase in government spending reflects strained government finances.

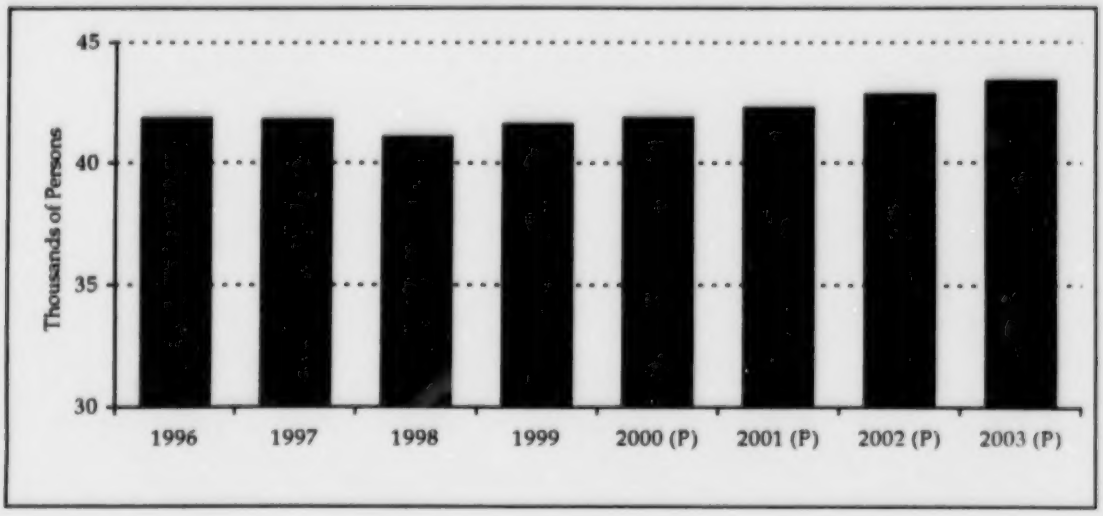
PUBLIC AND PRIVATE INVESTMENT
NORTHWEST TERRITORIES
1999 - 2000



Source: Statistics Canada
Note: 1999 figures are preliminary actual and 2000 amounts are intentions.

- Total public and private investment expenditures in the Northwest Territories are expected to rise by 10 per cent, to $601 million, in 2000 compared to 1999 preliminary actual figures.
- The increase is due entirely to a rise in private sector investment of 17.5 per cent. Public sector expenditures are expected to fall by 14.7 per cent.
- $46.3 million of the increase in the private sector is due to mining. Spending by Diavik Diamond Mines on its Lac de Gras property is responsible for much of the increase.
- In addition, the warehousing and transportation component is expected to rise by $12 million, or 42 per cent, from 1999.

POPULATION - NORTHWEST TERRITORIES
1996 - 2003



(P) Projected

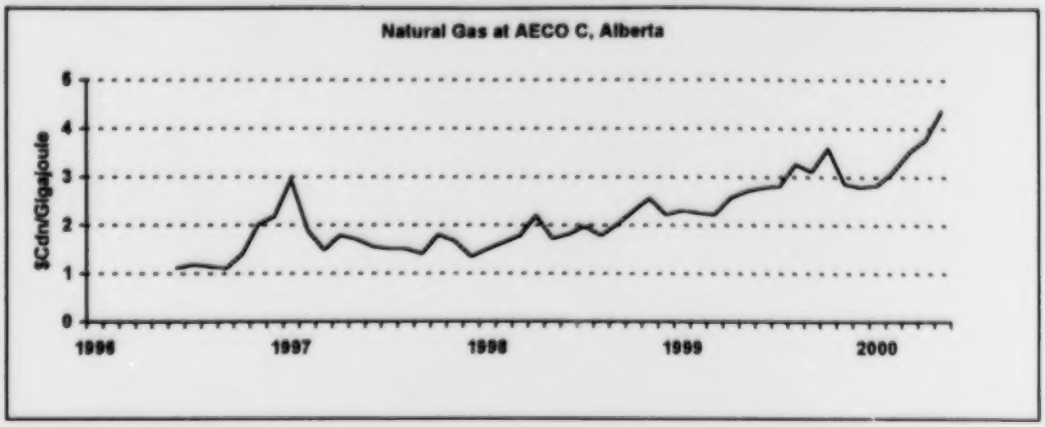
Sources: NWT Bureau of Statistics

- Total population in the NWT decreased by 754, or close to 2 per cent, between 1996 and 1998. This was the result of a net out-migration of more than 2,200 people, partly offset by natural increases (births less deaths) in the population.

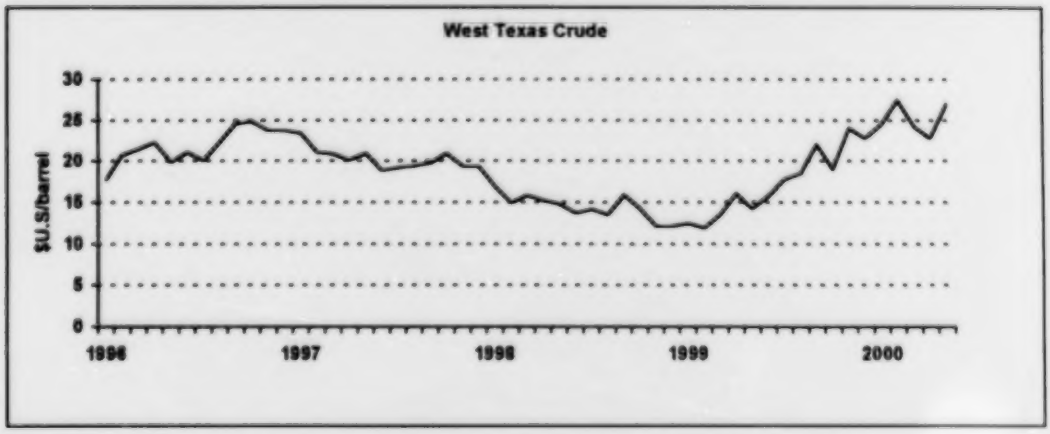
- The decline in population was due to the downturn in the economy and uncertainty leading up to division of the territories in 1999.

- Early estimates of population for 1999 and 2000 indicate some recovery, and the population is expected to increase by about 1 per cent per year over the next four years.

OIL AND NATURAL GAS PRICES



- Natural gas prices are expected to rise in 2000 in both the U.S. and Canada due to growing industrial and electric utility demand and the completion of pipelines to the U.S.

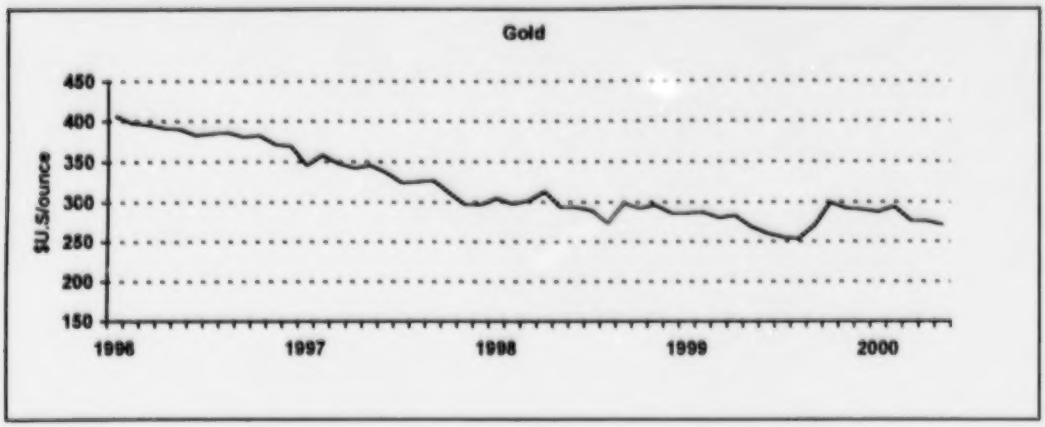


- The price of oil rose dramatically in 1999 in response to firm world demand and reductions in OPEC supply.

- Oil prices, around $30 US per barrel (June 2000), are expected to moderate over the balance of 2000 in response to increasing OPEC supply and the reinstatement of Iraqi exports.

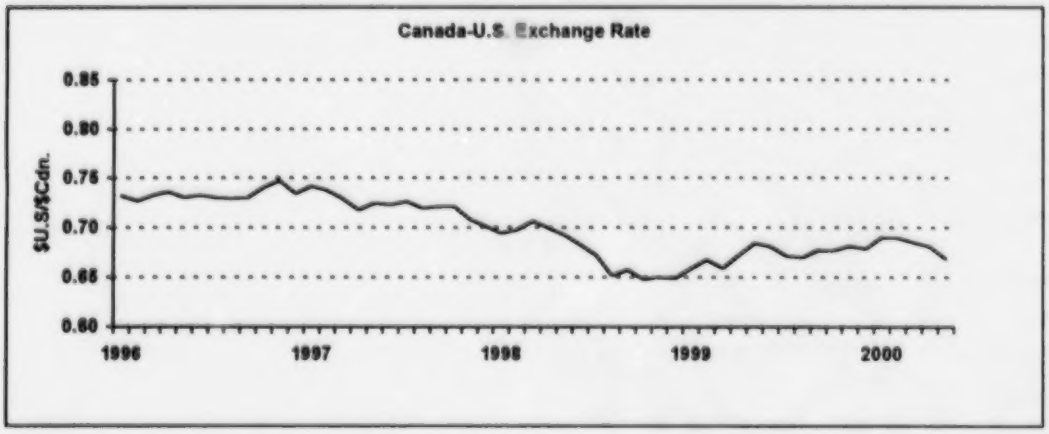
Sources: NWT Bureau of Statistics, Conference Board of Canada, TD Economics, and Price Waterhouse.

GOLD PRICES AND THE EXCHANGE RATE



- Gold prices rebounded to $294 per ounce after producers curtailed hedging programs in the fourth quarter of 1999.

- Since late 1999, however, gold prices have weakened due to sales by European central banks. The Swiss central bank is expecting to sell 1,300 tonnes of gold by 2004. Gold prices are expected to rise to about $355 US/ounce by June 2004.

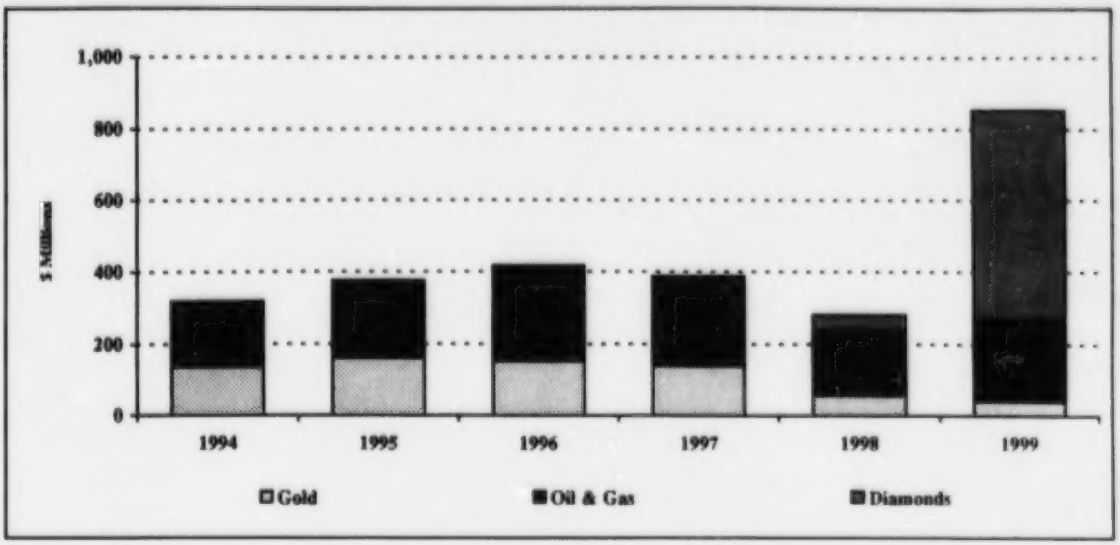


- Improvement in the value of the Canadian dollar since the beginning of 1999 was the result of improving commodity prices and stabilization of world financial markets after the Asian crisis.

- The Canadian dollar is expected to remain below U.S. $0.70 in 2000 due to a continuing negative spread between U.S. and Canadian interest rates.

Sources: NWT Bureau of Statistics, Conference Board of Canada, TD Economics, and Price Waterhouse.

VALUE OF GOLD, DIAMONDS, OIL & GAS PRODUCTION
NORTHWEST TERRITORIES
1994 - 1999



Source: Natural Resources Canada, Bureau of Statistics, Echo Bay 1998 Annual Report
Note: Data has been split for 1994-1998, it therefore excludes Nunavut for all years.

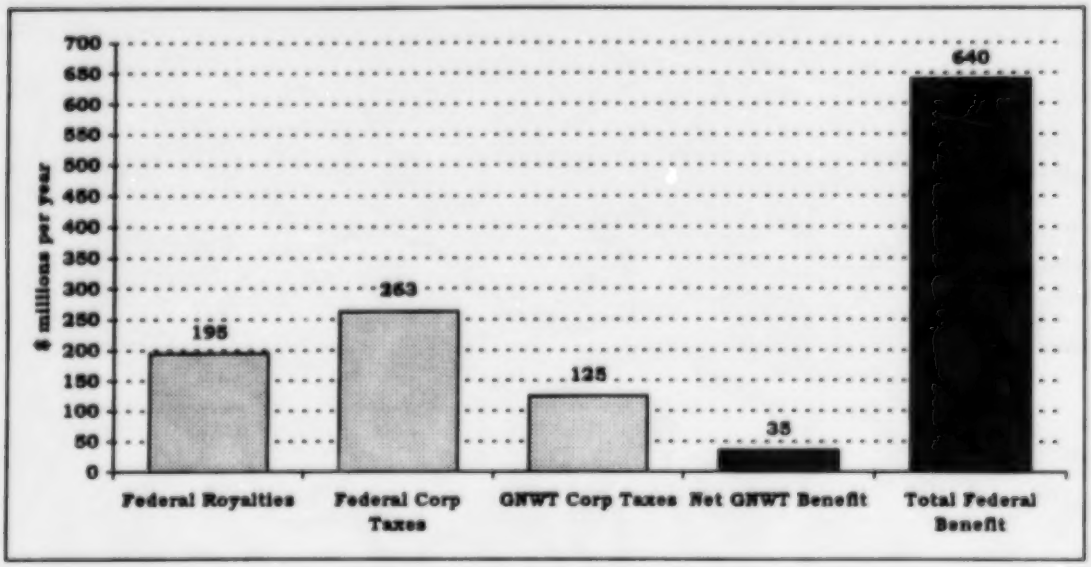
- The value of mineral production in the NWT rose sharply in 1999, surpassing $800 million. Diamond mining was behind most of the increase, as the value of diamond production reached $581 million during the first full year of production at the Ekati Mine. Future diamond production can be expected to increase as a result of higher production at the Ekati Mine, and new diamond mines at Lac de Gras and Snap Lake beginning production in two to three years.

- The value of oil and gas production rose in 1999 in tandem with higher oil prices. The value of NWT natural gas production peaked in 1998 at $12 million. The value of oil and gas production is expected to increase in 2000 on the strength of strong prices and the start of natural gas production in Fort Liard in April/May 2000.

- The value of gold production was low in both 1998 and 1999 due to falling gold prices and shutdowns at the Con and Giant mines. The Giant and Con mines are expected to produce approximately 130,000 ounces a year, starting in 2000, about the same as total NWT 1998 production.

ANNUAL FISCAL IMPACT OF RESOURCE DEVELOPMENTS IN THE NORTHWEST TERRITORIES

Estimated distribution of government revenues from the development of three diamond mines, natural gas in Fort Liard and the Mackenzie Delta, and oil in Norman Wells.



Source: Department of Finance; Department of Resources, Wildlife, and Economic Development.

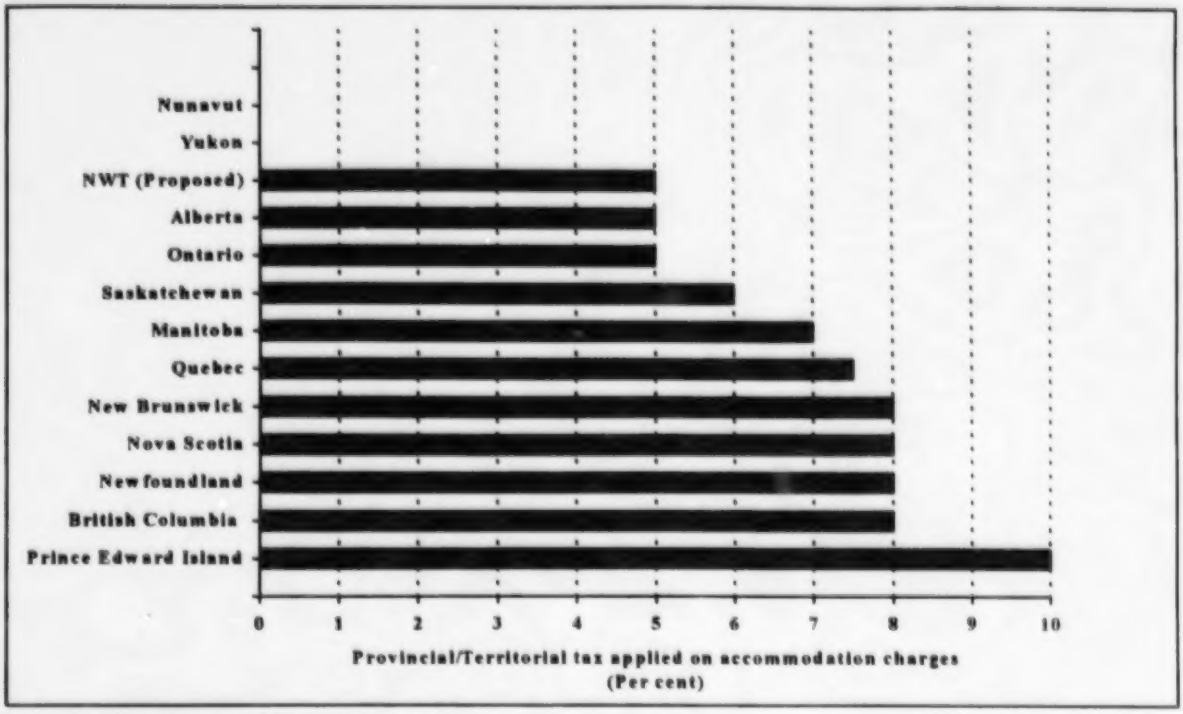
- Resource development in the Northwest Territories generates direct revenue for the GNWT through corporate and personal income taxes, as well as payroll, property, and fuel taxes. However, a significant portion of the revenue generated through these sources is offset by reductions in the Formula Financing Grant.

- The Government of Canada receives revenues from corporate and personal income tax, and royalties. In addition, the federal government receives additional net benefit from the reduction in its transfer payment to the GNWT under the Formula Financing Agreement.

- The GNWT estimates that resource development, its spin-off effects, and the reduction in the Formula Financing Grant, will generate, on average, $640 million per year over the next 27 years for the Government of Canada. This includes $263 million in direct Corporate Income Tax and $195 million in royalties.

- The GNWT will receive, on average, a net benefit of $35 million per year from the same resource development and the spin-off activity after the reduction in the Formula Financing Grant is considered.

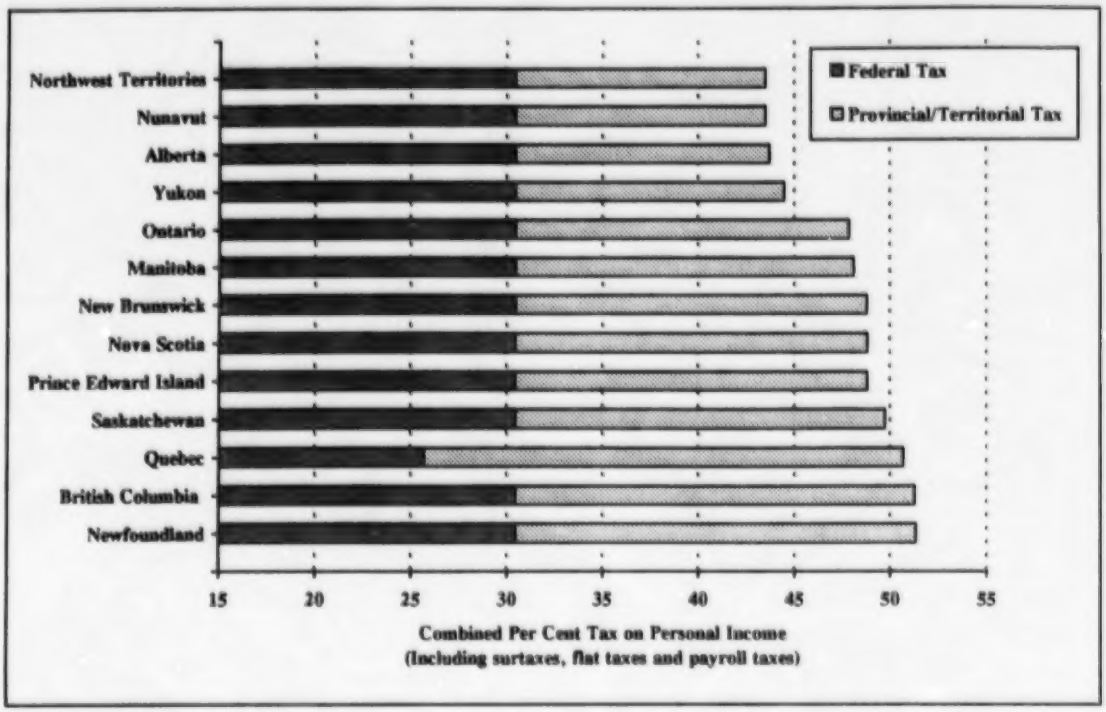
TAXES ON HOTEL ROOM CHARGES: 2001



Source: Department of Finance

- A NWT Hotel Room Tax of 5 per cent is proposed to come into effect on April 1, 2001. The tax would be applied on rentals of less than 28 days on most temporary accommodations in the NWT.
- All of the provinces currently levy either a sales tax or a specific room tax on temporary accommodation charges, ranging from 5 per cent in Alberta to 10 per cent in Prince Edward Island.
- The Hotel Room Tax could raise $1 million in new revenue for the GNWT, beginning in the 2001-2002 fiscal year.
- Revenues from the Hotel Room Tax will be directed to new tourism promotion initiatives.

PERSONAL INCOME TAX
COMBINED FEDERAL-PROVINCIAL/TERRITORIAL
TOP MARGINAL TAX RATES
2000

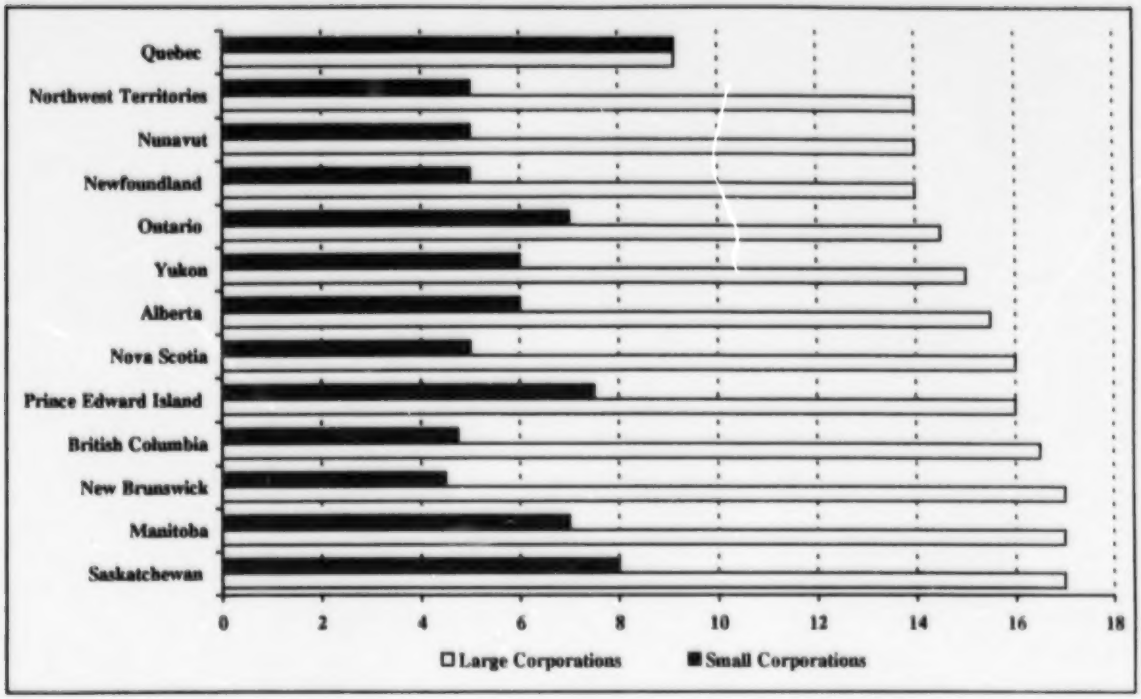


Source: Department of Finance

- The Northwest Territories' personal income tax rate is among the lowest in Canada. Furthermore, unlike Ontario and Alberta, which have lower basic rates, the Northwest Territories does not impose any flat taxes or surtaxes.

- Despite lower territorial tax rates, Northwest Territories residents pay a similar percentage of their income in total income taxes as do other Canadians. Higher incomes are required in the north in order to compensate for the higher cost of living. These higher incomes, combined with the progressive income tax structure, mean taxpayers pay a higher amount and a higher percentage of income in federal income tax than individuals with equivalent earning power in southern Canada.

CORPORATE INCOME TAX RATES, 2000



Source: Department of Finance

- Alberta, Saskatchewan, Ontario, Prince Edward Island and Newfoundland have lower corporate income tax rates for manufacturing and processing.

- Quebec's general corporate income tax rate applies to active business income. A rate of 16.66 per cent applies to all passive income.

- The Northwest Territories has no capital tax and among the lowest corporate income tax rates in Canada.

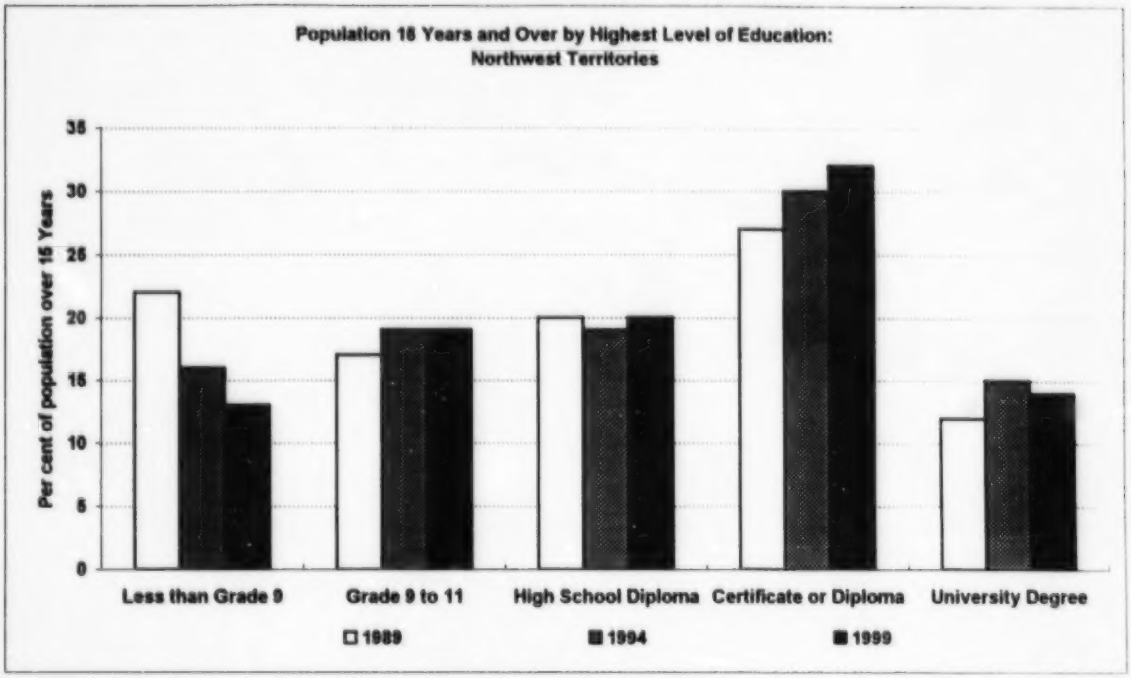
- Corporate income tax rates are set to decline throughout Canada. For example, Ontario has made a commitment to reduce their general corporate rate to 8 per cent by 2005. In addition, the federal government has committed to reducing their corporate rate to 21 per cent from 28 per cent by 2004.

PROVINCIAL & TERRITORIAL TAX RATES
JUNE 2000

	Combined Top Marginal PIT(a) (%)	Retail Sales Tax (%)	Fuel Tax (d)		Tobacco Tax (e) Cigarette ($/carton)	Payroll Tax (f) (%)	Corporate Income Tax		Capital Tax (g) (%)
			Gasoline (¢/litre)	Diesel (¢/litre)			Small (%)	Large (%)	
Northwest Territories	43.5	-	10.7	9.1	25.20	1.0	5.0	14.0	-
Nunavut	43.5	-	6.4	9.1	25.20	1.0	5.0	14.0	-
Yukon	44.5	-	6.2	7.2	16.40	-	6.0	15.0	-
British Columbia	51.3	7.0	11.0	11.5	22.00	-	4.8	16.5	0.3/3.0
Alberta	43.7	-	9.0	9.0	14.00	-	6.0	15.5	0/1.0
Saskatchewan	49.7	6.0	15.0	15.0	17.20	-	8.0	17.0	0.6/3.25
Manitoba	48.1	7.0	11.5	10.9	17.20	2.2	7.0	17.0	0.3/3.0
Ontario	47.9	8.0	14.7	14.3	5.30	2.0	7.0	14.5	0.3/0.90
Quebec	50.7	7.5	15.2	16.2	8.60	4.3	9.1	9.1	0.64/1.2 8
New Brunswick	48.8	8.0	10.7	13.7	8.30	-	4.5	17.0	0.3/3.0
Nova Scotia	48.8	8.0	13.5	15.4	9.66	-	5.0	16.0	0.25/3.0
Prince Edward Island	48.8	10.0	13.0	13.5	13.26	-	7.5	16.0	0/3.0
Newfoundland	51.3	8.0	16.5	16.5	22.00	2.0	5.0	14.0	0/4.0
Average (b)	48.8 (c)	6.9	13.6	13.8	10.60	1.9	7.0	13.9	

(a) Personal income tax rates in effect for the 2000 tax year.
(b) Average of all provincial and territorial rates, weighted by population.
(c) 48.8% is the weighted average of the combined federal-provincial/territorial top marginal tax rate.
(d) Quebec, New Brunswick, Nova Scotia and Newfoundland apply sales tax to fuel.
(e) Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, and Newfoundland also apply sales tax to tobacco products.
(f) Other than for the NWT and Nunavut, rates shown are for payrolls over $400,000. The NWT and Nunavut Payroll Taxes are levied on employees.
(g) Rates shown for capital tax are for large corporations and for financial institutions in the order shown. The bases are different for different type of companies.

NORTHWEST TERRITORIES
POPULATION AND EDUCATION
1989-1999



Source: 1989, 1994 & 1999 NWT Labour Force Survey (LFS)
GNWT Bureau of Statistics

- The proportion of the population 15 years and older whose highest level of education is less than Grade 9 has fallen sharply since 1989.

- In 1999, approximately one-third of the total population had been conferred a certificate or diploma. This category includes such diverse fields as trades or other certificates, college diplomas or certificates and other certificates or diplomas. Over the past ten years, this figure has improved substantially, especially among high school graduates.

- In 1989, about 46 per cent of the aboriginal population over the age of fifteen had less than a Grade 9 education. Over the past ten years, this figure has dropped to 26 per cent. Throughout 1989-1999, overall aboriginal education attainment levels have improved in every listed category.

ACCOUNTING FOR TANGIBLE CAPITAL ASSETS

Background

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) provides accounting and financial reporting recommendations for the public sector. In late 1997, PSAB recommended that government expenditures on tangible capital assets be amortized over the useful life of the asset, bringing government accounting practices in line with those of the private sector.

The GNWT is implementing a new accounting policy for tangible capital assets in 2000-2001 based on this recommendation.

Tangible capital assets are those with a useful life extending beyond one year, which are acquired, constructed or developed and held for use in the delivery of government programs, and not for resale. Tangible capital assets with a value less than the accepted threshold will be expensed in the year of acquisition and included in operations expense. The GNWT's accepted threshold is $50,000.

Contributions to third parties for the acquisition or construction of tangible capital assets, for which the government will not have ownership, will now be included in operations expense. Previously, these expenditures were voted as capital appropriations.

The expected useful life of an asset takes into consideration the passage of time, normal wear and tear and the effects of technological obsolescence. The GNWT will be adopting a standard useful life for each asset class that is expected to remain the same over time. The straight-line method of amortization used reflects a constant charge for the service of the asset as a function of time.

The following table summarizes the standard asset categories and amortization periods to be applied under the new policy.

Asset Description	Useful Life (years)
Land	Indefinite
Roads and Bridges	40
Ferries	25
Airstrips and Aprons	40
Buildings	40
Water/Sewer Works	25
Mainframe and Software Systems	10
Leasehold Improvements	Lease Term + one Renewal Option
Mobile and Heavy Equipment	15
Major Equipment	15
Major Medical Equipment	15

Reporting under New Policy

Instead of approving an appropriation for capital expenditures, the Legislative Assembly will now approve an appropriation for capital investment authority. The Main Estimates will include a proposed five-year Capital Acquisition Plan, which outlines all proposed capital investments. Two categories that were formerly included in capital estimates, however, will now be excluded from the capital acquisition plan:

- contributions to third parties for the purpose of acquiring or constructing tangible capital assets; and
- assets with a value less than $50,000.

Example

The GNWT purchases a piece of equipment in 2000-2001 at a cost of $150,000.

In prior years, the cost of the equipment would have been included in the Capital Estimates and included as a capital expenditure of $150,000 in the year of acquisition.

Under the new policy, the cost of the equipment will now be amortized over its useful life, which in this case is 15 years. The annual amortization will be $10,000 (i.e., $150,000 divided by 15 years).

The annual amortization of $10,000 will be expensed each year until the equipment is totally amortized, disposed of or written off.

The Capital Acquisition Plan in 2000-2001 would include this capital investment in equipment of $150,000.

The benefits of the new policy will include:

- More accurate reporting of the annual costs of operations and delivery of government programs.

- Provision of better information to assess the efficiency of government programs and to make informed decisions.

- Improved stewardship of government assets with a greater emphasis on asset management rather than acquisition.

- Strengthening the accountability of managers through improved control of capital assets.